

**TESTIMONY OF
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BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
ON FEBRUARY 26, 2008**

Mr. Chairman and Members of the Committee, I appreciate the opportunity to discuss our proposed Fiscal Year (FY) 2009 Budget request for the Environmental Protection Agency (EPA) budget.

The President requests \$7.14 billion for FY 2009 to support EPA's mission to protect human health and the environment both directly and through EPA's state, local and tribal partners nationwide. Since its founding, EPA has laid a strong foundation of environmental progress. Our air, water and land are cleaner today than they were just a generation ago. This budget continues this progress, supports the environmental commitments that the President and I have made and institutionalizes EPA's major management and performance improvements.

In particular, the budget meets the major priorities that I've set for my final year of service:

- Advancing clean, affordable and safe energy,
- Safeguarding our nation through stronger homeland security,
- Encouraging stakeholder collaboration to address energy and climate change issues,
- Improving our water infrastructure and programs,
- Continuing Superfund remediation of the most highly contaminated hazardous waste sites,
- Encouraging economic development through revitalization with our successful Brownfields program,
- Ensuring full compliance with the nation's environmental laws,
- Building a stronger EPA for my successor – including strengthening our protection of human health and the environment through best available science, and
- Demonstrating fiscal responsibility for all our successors.

Advancing Clean, Affordable and Safe Energy

We all know that our nation faces multiple challenges to assure a future of clean, affordable and safe energy. With both demand and costs on the rise, innovators are moving forward to propose cleaner power solutions that are good for our environment and good for our energy security. Industry is searching for many new domestic alternatives to help reduce our dependence on foreign energy. We estimate that over the next several years industry will propose drilling thousands of new oil and gas wells on Federal, state, and Tribal lands, apply to renew up to 100 nuclear plant licenses, consider building dozens of new liquefied natural gas terminals, and propose many other projects. This budget recognizes that industry's increased efforts will mean a larger workload in our existing air and water permitting programs as well as our enforcement programs – especially out West.

This budget includes an additional \$14 million to help ensure environmentally sound decision-making – with proper permitting and review and in full compliance with the law. The

\$14 million will support our state and tribal partners' efforts to increase their capacity to review and assess all the proposed energy projects and pay for the additional technical experts the Agency needs to meet permitting, technical review, and NEPA requirements.

One related clean energy initiative that I'm glad that we and the appropriating committees agreed upon is the Diesel Emission Reduction Act (DERA) program grants. In FY 2009, \$49 million will fund 250-300 diesel retrofit grant programs that target older diesel engines which are not subject to the new regulations. A combination of strategies including engine retrofits, rebuilds or replacements, switching to cleaner fuels, and idling reduction strategies can reduce particulate matter emissions by 95 percent, smog forming hydrocarbon and nitrogen oxide emissions by up to 90 percent and greenhouse gases by up to 20 percent. These strategies will allow us to make continued progress in five sectors: freight, construction, school buses, agriculture and ports.

Homeland Security

Homeland Security continues to be one of EPA's top priorities. EPA has responded to five major disasters and catastrophic incidents in recent years, including response actions to the 9/11 terrorist attacks, the anthrax terrorist incidents, the Columbia Shuttle disaster and recovery efforts, the Ricin incident on Capitol Hill, and the Gulf Coast hurricanes. Our experience from these responses, coupled with EPA's externally driven mandates such as Homeland Security Presidential Directives and Emergency Support Function mission assignments, lead me to propose that EPA heighten its preparedness.

This budget ensures that we can meet these commitments by proposing an additional \$32 million over last year's enacted budget for a total of \$170 million to advance the EPA's capabilities to respond to multiple incidents, strengthen bio-defense research, and continue to support the Water Security Initiative.

As a part of this request, we remain committed to funding five Water Security Initiative pilots to secure a broad range of data so water utilities across the country will have the necessary information to install and enhance contamination warning systems. With the FY 2009 request we will have initiated all five pilots and expect to complete them by 2012. EPA is also advancing its preparedness to respond to multiple, large-scale, catastrophic incidents, and in particular, potential chemical, biological and/or radiological agent terror attacks.

Climate Change

For FY 2009, EPA requests a total of \$114.7 million to continue to achieve real reductions of carbon dioxide, methane, per fluorinated compounds (PFCs) and other greenhouse gases, and continue research to better understand climate change and its ramifications.

EPA will continue to achieve real reductions in greenhouse gases by promoting energy efficiency through partnerships with consumers, businesses and other organizations. We will continue to see real results in the home, building, industrial and transportation sectors by spurring our partners' investments in energy efficient and greenhouse gas saving technologies,

policies and practices. Based on a historical analysis, we estimate that for every dollar spent by EPA on its climate change programs, greenhouse gas emissions are reduced by up to the equivalent of one metric ton of carbon.

One cornerstone of our partnerships is the ENERGY STAR program, which has helped speed new lighting technologies to market, fostered development of more energy efficient computers, and increased Americans' understanding of how they can help the environment by purchasing cleaner and more efficient machines. To give one example, ENERGY STAR qualified light bulbs use 75 percent less electricity and last up to 10 times longer than traditional bulbs. If every American household switched just one traditional bulb to a high-efficiency ENERGY STAR bulb, America would save enough power to light more than three million homes ... save \$600 million in energy costs ... and prevent greenhouse gas emission equal to more than 800,000 cars annually.

A Washington Post article two weeks ago on how pollution can be blown to the U.S. from overseas reminded me that our international programs are essential to realizing American ecological goals. If we don't help China, India and other developing countries build energy efficient technologies into their infrastructure, their increases in greenhouse gas emissions will far out-weigh any reduction that we achieve here. That is why it remains essential that we move forward with the Asia Pacific Partnership, Methane to Markets and other international programs.

In climate change research, EPA will invest \$16.4 million to continue to better understand climate change and its ramifications. EPA will investigate how climate change affects air and water quality to protect the gains in public health made by the Agency. We will explore opportunities to anticipate the impacts and incorporate climate change considerations into regulatory processes. We will use research findings to support the development of a proposed rule on the geological sequestration of carbon dioxide to ensure that underground sources of drinking water are protected. We will continue to reach out to all our potential 300 million "green" partners by making available free, online decision support tools to enable resource managers to incorporate climate change considerations into their day-to-day operations.

Cooperative Programs

Our cooperative programs also provide an outstanding example of how we can find "win-win" solutions that make sense both environmentally and economically. They allow us to work with businesses and individuals to achieve environmental results while improving the bottom line. They allow EPA to start addressing environmental challenges as soon as we recognize them and give us the opportunity to test innovative approaches to meet today's challenging environmental problems. To date, our conservative estimate is that over 20,000 businesses and other groups across America have participated in cooperative programs. We are proud of the record of success of these programs and want to encourage our talented employees to continue to use their creativity in finding innovative ways to improve environmental results.

Working with Federal Partners

Cooperation with Federal partners is also crucial for EPA to meet its mission. In the FY 2009 budget, I want to highlight our efforts to work with Federal partners to better understand the environmental impact of the almost \$2 trillion worth of imported goods coming into the U.S. annually. To meet this challenge, the President directed agencies with import/ export responsibilities to work together to create an International Trade Data System (ITDS) within an expanded Automated Commercial Environment (ACE). EPA's \$3.1 million investment in FY 2009 will help build the linkage with ITDS to identify, track and confirm vital environmental details about imported goods in 6 areas: 1) vehicles and engines, 2) ozone depleting substances, 3) fuels, 4) pesticides, 5) toxic substances, and 6) hazardous waste.

This is not a pie-in-the-sky dream. It builds on a successful pilot test by our Office of Enforcement, which showed that accessing useable records lead to timely action. One pilot test identified imported engines in several planned shipments that did not meet US specifications and allowed us to block their entrance. One bad engine can make a big difference in emissions of particulate matter. Another pilot test proved that even child's play can be harmful to the environment. Detailed records highlight many batches of innocent-looking "silly-string" which contained banned chlorofluorocarbons (CFCs). These tests make clear that prompt data retrieval translates into prompt protection.

This is also an example of how our long term planning has paid off. EPA can efficiently link to ITDS because of the Agency developed a Central Data Exchange, a standard set of IT systems and protocols for sharing information among multiple partners.

Water Infrastructure and Programs

This President's budget meets our commitments to finance state revolving funds, proposes new financing options, continues WaterSense and other collaborative water-efficiency projects, strengthens our wetlands and watershed protection, and furthers our successful geographic initiatives.

We propose \$842 million for Drinking Water State Revolving Fund (DWSRF) grants, an increase of \$13 million. This funding will help achieve the target of 445 additional infrastructure improvement projects to public water systems – and help reach a long term target \$1.2 Billion revolving level. The DWSRF program supports states by providing low-interest loans and other assistance to water systems to help provide safe, reliable water service on a sustainable basis, protect public health and achieve or maintain compliance with the Safe Drinking Water Act (SDWA).

For Clean Water State Revolving Funds (CWSRFs), we propose a FY 2009 investment of \$555 million to help meet the program's long term revolving target of \$3.4 Billion. This program is able to meet EPA's \$6.8 billion total capitalization goal for FYs 2004-2011 with a reduced budget request due to higher than anticipated funding levels in previous years. The CWSRF program provides funds to capitalize state revolving loan funds that finance

infrastructure improvements through low interest loans for public wastewater systems and other water quality projects.

The President's FY 2009 budget continues to support the Water Enterprise Bond Initiative that proposes financing wastewater and drinking water infrastructure projects using Private Activity Bonds (PABs) that are exempt from unified state PAB volume caps. We estimate this initiative will increase capital investment in the nation's water infrastructure by up to \$5 billion per year over time through public-private partnerships. These bonds will complement local efforts to move towards full-cost pricing for wastewater and drinking water services, help localities become self-financing and minimize the need for future Federal expenditures.

These financing proposals work together with our continuing efforts to increase efficiency, protect our wetlands and watersheds, accurately monitor the condition of our waters and wetlands and target vital geographic areas.

For example, in June 2006 EPA launched the WaterSense program to reduce water use across the country by creating an easy-to-identify label for water-efficient products. The WaterSense label certified that products had been independently tested to meet strict efficiency and performance criteria. In less than two years, WaterSense has become a national symbol for water efficiency among utilities, plumbing manufacturers, and consumers. More than 125 different models of high-efficiency toilets and 10 bathroom faucets have earned the label and more than 600 manufacturers, retailers, utilities and professionals have joined the program as partners. In FY 2009 EPA will continue supporting development of new products and working with utilities, retailers, distributors, and the media to educate consumers on the benefits of switching to water-efficient products.

EPA's Wetlands Program supports the Administration's goals to achieve "no net loss" of wetlands in the Sec. 404 regulatory program and an overall increase in wetland quantity and quality. Wetlands provide numerous ecological and economic services: they help to improve water quality; recharge water supplies; reduce flood risks; provide fish and wildlife habitat; offer sites for research and education; and support valuable fishing and shellfish industries. In FY 2009, EPA will work with its state and Tribal partners to promote up-to-date wetlands mapping tied with GIS (Geographic Information Systems) analysis, strengthen monitoring and assessment programs to report on wetlands condition, and improve data to better manage wetlands within a watershed context. Two key activities will be implementing the 2006 Supreme Court decision in the Rapanos case, and working with our federal agency partners to accelerate the completion of the digital Wetlands Data Layer within the National Spatial Data Infrastructure (NSDI).

Watershed protection runs through our budget and strategic plan as one of the overarching principles for clean and healthy communities. Our strategic plan, our daily activities and our proposed FY 2009 budget all reflect the importance of core regulatory and stewardship programs prevent water pollution and protect source waters. With our partners we launched a Green Infrastructure Strategy on January 17, 2008 to reduce sewer overflows and storm-water runoff. We also continue to urge Congress to enact targeted, bipartisan clean water legislation to encourage "Good Samaritan" cleanup of abandoned hard rock mines. This simple step will

remove legal and bureaucratic obstacles, keep environmental safeguards in place, save tax payer dollars and help clean up watersheds.

We continue to place a high priority on improving the states' ability to accurately characterize the condition of their waters. In FY 2009, we will continue our water quality monitoring initiative by providing grant funding totaling over \$18.5 million to states and tribes that participate in collecting statistically valid water monitoring data and implement enhancements in their water monitoring programs.

The FY 2009 budget continues funding for geographic initiatives, including:

- In the Great Lakes, EPA's \$35 million investment in the Great Lakes Legacy Act will give priority to working with states and local communities to achieve improvements in water quality and reducing the number of toxic "Areas of Concern". "Areas of Concern" include areas with damaged fish and wildlife populations, contaminated bottom sediments and past or continuing loadings of toxic and bacterial pollutants.
- In the Chesapeake Bay, the \$29 million investment will be committed to substantially accelerating the restoration of the Bay's aquatic habitat and achieving the pollution reduction targets for 2010.
- For the Gulf of Mexico, EPA's \$4.6 million investment will continue to support efforts to reduce nutrient loadings to watersheds. We will identify the top 100 nutrient-contributing watersheds in the Mississippi River Basin and use a computer model determine the location of major sources of nitrogen and phosphorus and where to target hypoxia- reduction efforts.

Superfund remediation of highly contaminated hazardous waste sites

The President's budget requests a \$10 million increase for a total of \$1.264 Billion for the Superfund program to continue our progress cleaning up contaminated sites and strengthening our emergency preparedness and response capabilities. The vital goals of the Superfund program remain assuring the health and safety of neighboring citizens during cleanups and protecting human health and the environment in the long-term. Within this budget request, funding for Superfund clean-up remains at essentially the same level as enacted in FY 2008.

EPA takes seriously its responsibility to take actions to protect human health by controlling exposure to hazardous substances during clean ups. Before or during long-term remedial action, the Superfund program often completes removal actions to mitigate immediate health threats prior to completing investigations and starting long-term cleanup construction. For example, to date, EPA has provided more than two million people living near contaminated sites with alternative sources of drinking water, has completed more than 9,400 removals at hazardous waste sites to reduce the immediate threat to human health and the environment, and has conducted 351 emergency response and removal cleanup actions in FY 2007 alone.

Developed more than a decade ago, EPA's construction completion measure continues to show substantial progress in the Superfund program. As of the end of FY 2007, cleanup construction had been completed at 1,030 of the National Priorities List (NPL) sites – 66 percent of the sites listed on the NPL. EPA plans to complete clean up construction at 30 sites in FY

2008, and 35 sites in 2009. This will keep EPA on track to complete construction at 165 sites during the FY 2007 to FY 2011 time period - EPA's goal in the current Strategic Plan.

To better measure long-term progress, the program added a Site-Wide Ready for Anticipated Use measure in 2007. This measure tracks the number of NPL sites where the remedy is constructed (construction complete) and all of the controls are in place to ensure that the land is protected for reasonably anticipated uses over the long term. EPA expects to make at least 30 sites ready for anticipated use in 2009, building upon its 2007 achievement of doubling the original goal of 30 by making 64 Superfund sites ready for anticipated use.

Brownfields and Land Revitalization

The President's FY 2009 budget request provides \$165.8 million for the Brownfields program, including \$93.6 million to fund program assessment, cleanup, revolving loan fund, and job training grants. This will fund 129 assessment grants, 96 cleanup grants, 7 revolving loan fund grants, and 12 job training grants. Through this work, we project that Brownfields grantees will assess 1,000 properties, clean up 60 properties, leverage 5,000 cleanup and redevelopment jobs, and leverage \$900 million in cleanup and redevelopment funding.

Experience has taught us that one of the best ways to clean up contaminated sites and to address blighted properties in communities is to expressly consider the future uses of this land. The country has accepted the economic and ecological importance of recycling various consumer products – and our understanding of sound resource management must now also embrace the recycling of contaminated properties. In addition, by incorporating “green” and sustainable approaches into Brownfields redevelopment, we can further increase the environmental benefits from land revitalization. We remain committed to the goal of restoring our nation's contaminated land resources and enabling America's communities to safely return these properties to beneficial economic, ecological, and societal uses.

Enforcement

Experience has also shown that we cannot always rely on collaboration to attain all our goals. This budget doesn't neglect that lesson. Once again I request the largest enforcement budget in history, \$563 million - an increase of \$9 million - to maintain our vigorous and successful enforcement program.

These dollars will prove to be a wise investment. Last year, EPA's enforcement programs succeeded in:

- Having defendants agree to \$10.6 billion in investments to reduce pollution;
- Achieving private party reimbursements of \$252 million for Superfund; and,
- Reducing water pollution by 178 million pounds and air pollution by 427 million pounds.

This all-time record budget request includes a \$2.4 million increase to a total budget of \$52.2 million for criminal enforcement. These dollars are vital to help us increase the number of criminal investigators.

Stronger EPA – Sound Science

As a 27-year Agency veteran, one of my most solemn duties is to leave behind an EPA that is stronger than when I came in. As both a scientist and a long time manager – I am convinced that the only way that a technical, regulatory agency can meet its mission is by doing a lot of hard thinking to ensure that we keep our technical, legal and scientific base strong – and that we hone our management goals and measures to guide our efforts. This budget builds on the progress we’ve made by strengthening our workforce, sharpening our management and performance measurement and increasing our scientific knowledge.

First, as a scientist, I want to continue to provide strong support for research addressing our nation’s and our world’s critical and increasingly complex environmental issues. In FY 2009, I propose that EPA invest extra resources to understand two critical, growing areas: nanotechnology and computational toxicology.

For nanotechnology, I ask for an additional \$4.5 million, for a total budget of \$14.9 million to strengthen understanding of health and ecological implications arising from new routes of exposure and/or toxicities associated with exposure to these novel materials. We must identify and develop risk assessment methodologies for use by risk assessors, and evaluate the adequacy of current exposure assessment approaches. We will coordinate this research closely with the President’s National Nanotechnology Initiative (NNI), which emphasizes the need for the government to understand which processes govern the environmental fate of nano-materials and what data are available or are needed for accurate nano-material risk assessment. This includes determining the release potential of nano-materials in the environment, researching the state of science for sampling and measuring nano-materials in environmental media. We must also study effects on human and ecological receptors and determine which technologies and practices minimize risk.

I also remain strongly committed to improving our computational toxicology work and ask for a \$2.7 million increase - for a total budget of \$14.9 million for this vital area. In FY 2009, we want to improve EPA’s ability to more efficiently understand chemicals’ toxicity through advanced modeling. One aspect of this work that is particularly important is that it can reduce the need to use animals for toxicity testing.

To help further these initiatives and ensure EPA’s ability to attract and retain the highest caliber scientists, the budget proposes expanded special authority that will allow EPA to hire up to 40 scientists quickly and competitively.

Stronger EPA – Performance and Management

As a manager, I want to make sure that we focus on something we can all take pride in – delivering results. And I'm proud to tell you about what we've accomplished to date in the planning and management fields. EPA:

- Scored “green” in the President’s Management Agenda on all initiatives in the first quarter of FY 2008 – one of only a few agencies to reach that goal, and
- Improved outcome measures to more directly link the results of our work and resources to environmental, on-the-ground, results.

We've addressed specific challenges as well. For the first time in ten years we've succeeded in removing grants management as a “management challenge” or “material weakness”. We've fixed problems identified by the Government Accountability Office (GAO) and the Office of Inspector General (OIG) and built a system of internal controls fully integrated into the grants management process that includes:

- Improved mandatory training,
- Heightened grants performance standards,
- Quarterly management close-out reviews,
- New post-award monitoring orders, and
- EPA's new grants management system.

Finally, as I conclude my tenure at EPA, I want to fulfill my responsibility to cultivate the next generation of EPA leaders. This budget includes funding for a Leadership and Professional Development rotation program to ensure that our talented GS-13, 14 and 15 employees can expand knowledge and expertise, develop leadership skills and enhance professional growth through short term rotational assignments. For more senior leadership, we propose to continue our SES mobility program to make sure that we populate the highest levels of the agency with proven managers.

Conclusion

Mr. Chairman, when I look at the candidates who are getting the opportunity to broaden their skills in these programs, I am heartened that I'll be leaving the agency in good hands. I look forward to working with you to enact this budget.

I am confident that this budget gives them an excellent basis on which to build. I hope that together we can see prompt action on these budget proposals so that we can implement your funding decisions.

Thank you. I will be happy to respond to any questions you may have.